

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Maintain Compliance of Maine's Insurance Laws with National Standards

Be it enacted by the People of the State of Maine as follows:

PART A

Sec. A-1. 24-A MRSA §221-A, sub-§3, as amended by PL 1999, c. 113, §5, is further amended to read:

3. Audits required. All insurers, excepting insurers transacting business in this State pursuant to the terms of chapter 51, shall cause to be conducted an annual audit by an independent certified public accountant. Each domestic insurer shall file an audited financial report with the superintendent on or before June 1st for the year ending December 31st preceding. An extension of the filing deadline may be granted by the superintendent upon a showing by the insurer or its accountant that there exists valid justification for such an extension. A foreign or alien insurer shall file an audited financial report upon the superintendent's request. A firm of independent certified public accountants engaged to perform an audit of an insurer shall substitute the appointed audit partner in charge with another audit partner in charge at least once every 75 years. An accountant substituted for pursuant to this subsection may not serve as a partner in charge of that audit until 25 years after the date of substitution, unless the superintendent waives this requirement on the basis of unusual circumstances upon application by the insurer.

Sec. A-2. 24-A MRSA §221-A, sub-§7, as amended by PL 1999, c. 113, §7, is repealed and the following enacted in its place:

7. Exemptions. Upon written application of any insurer subject to this section, the superintendent may grant an exemption of the filing requirements under this section if the superintendent finds upon review of the application that compliance would constitute a financial hardship upon the insurer.

An insurer is exempt from the filing requirements of this section for any year in which the insurer's annual statement reflects:

A. Nationwide business in an amount less than \$1,000,000 in written premium plus reinsurance assumed; and

B. Outstanding loss reserves in an amount less than \$1,000,000.

Sec. A-3. 24-A MRSA §222, sub-§11-A, as amended by PL 1999, c. 113, §12, is repealed.

Sec. A-4. 24-A MRSA §222, sub-§11-B, as enacted by PL 1993, c. 313, §12, is repealed.

Sec. A-5. 24-A MRSA §222, sub-§11-C is enacted to read:

11-C. Dividends and distributions. The superintendent shall review all dividends and distributions declared or paid by any insurer registered under subsection 8 at least annually.

A. An insurer shall notify the superintendent within 5 days after the declaration of any dividend or distribution. If the dividend or distribution is not disapproved pursuant to paragraph B and is not an extraordinary dividend as defined in paragraph C, the insurer may pay the dividend or distribution once the superintendent has approved the payment or 10 days have elapsed after the superintendent's receipt of notice.

B. The superintendent shall issue an order restricting or disallowing the payment of dividends and distributions if the superintendent determines that the insurer's surplus would not be reasonable in relation to the insurance company's outstanding liabilities, that the insurer's surplus would be inadequate to that company's financial needs or that the insurer's financial condition would constitute a condition hazardous to policyholders, claimants or the public.

C. An extraordinary dividend may not be paid until affirmatively approved by the superintendent or until at least 60 days after the superintendent has received a request to pay an extraordinary dividend.

(1) For purposes of this subsection, "extraordinary dividend" means any dividend or distribution, other than a pro rata distribution of a class of the insurer's own securities, that:

(a) Exceeds the greater of 10% of the insurer's surplus to policyholders as of December 31st of the preceding year and the net gain from operations for the 12-month period ending December 31st of the preceding year;

(b) Is declared within 5 years after any acquisition of control of a domestic insurer or of any person controlling that insurer, unless it has been approved by a number of continuing directors equal to a majority of the directors in office immediately preceding that acquisition of control; or

(c) Is not paid entirely from unassigned funds. For purposes of this division, 50% of the net of unrealized capital gains and unrealized capital losses, reduced, but not to less than zero, by that portion of the asset valuation reserve attributable to equity investments, must be excluded from the calculation of unassigned funds.

(2) An insurer may declare an extraordinary dividend on a conditional basis, subject to the superintendent's approval. A declaration pursuant to this subparagraph does not confer any rights upon stockholders until the superintendent has approved the payment or the 60-day review period has elapsed.

Sec. A-6. 24-A MRSA §788, as amended by PL 2007, c. 386, §16, is further amended to read:

§ 788.Dividends

The special purpose reinsurance vehicle may not declare or pay dividends in any form to its owners unless the dividends do not cause the reinsurance vehicle or any of its protected cells to become impaired and, after giving effect to the dividends, the assets of the reinsurance vehicle, including assets held in trust pursuant to the terms of the insurance securitization, must be sufficient to meet its obligations. Except for dividends specifically provided for in the approved plan of operation under section 782, subsection 2, paragraph H, the prior approval of the superintendent is required for any dividend paid during the term of coverage or while the reinsurance vehicle has undischarged obligations to the ceding insurer. The dividends may be declared by the board of directors of the reinsurance vehicle if the dividends would not violate the provisions of this subchapter or the approved plan of operation and would not jeopardize the fulfillment of the obligations of the reinsurance vehicle or the trustee pursuant to the special purpose reinsurance vehicle insurance securitization, the special purpose reinsurance vehicle contract or any related transaction. The provisions of section 222, ~~subsections 11-A and 11-B~~ subsection 11-C do not apply to such dividends.

PART B

Sec. B-1. 24-A MRSA §952-A, sub-§5 is enacted to read:

5. Applicability to health carriers. A health carrier not otherwise subject to this section or section 993 shall file an actuarial opinion in accordance with the applicable National Association of Insurance Commissioners annual statement instructions. For purposes of this section, "health carrier" means an insurer, health maintenance organization, nonprofit corporation subject to Title 24 or fraternal benefit society that provides health insurance or comparable health benefits. This section and rules adopted pursuant to this section apply except to the extent that they do not specifically reference health carriers and impose requirements that are inconsistent with or more stringent than the annual statement instructions.

Sec. B-2. 24-A MRSA §994, sub-§1, as enacted by PL 2007, c. 281, §2 and affected by §3, is amended to read:

1. Statement of actuarial opinion. The statement of actuarial opinion under section 993, subsection 1 must be provided with the annual ~~actuarial opinion statement~~ statement under section 993, ~~subsection 2423~~ in accordance with the appropriate NAIC property and casualty annual statement instructions and is a public record subject to disclosure pursuant to Title 1, chapter 13.

PART C

Sec. C-1. 24-A MRSA §1402, sub-§1, ¶B, as enacted by PL 1997, c. 457, §23 and affected by §55, is amended to read:

B. EmployeesProperty and casualty insurance adjusters who are employees of insurers;

Sec. C-2. 24-A MRSA §1402, sub-§9-A is enacted to read:

9-A. Multiple peril crop insurance adjuster. “Multiple peril crop insurance adjuster” means a person who adjusts crop insurance claims under the federal crop insurance program administered by the United States Department of Agriculture.

Sec. C-3. 24-A MRSA §1402, sub-§11-A is enacted to read:

11-A. Property and casualty insurance adjuster. “Property and casualty insurance adjuster” means a person who adjusts property and casualty claims of any kind except for multiple peril crop insurance claims.

Sec. C-4. 24-A MRSA §1410, sub-§9 is enacted to read:

9. Multiple peril crop insurance adjuster examination. An individual applying for a resident multiple peril crop insurance adjuster license must either pass a crop adjuster examination administered by the superintendent under this section or provide proof of federal crop insurance certification pursuant to a process that includes passing a crop adjuster proficiency examination.

Sec. C-5. 24-A MRSA §1415, sub-§3, as enacted by PL 1997, c. 592, §21, is amended to read:

3. Adjuster authorities. A resident or nonresident adjuster may receive the property and casualty authority following authorities under the license:

A. Property and casualty insurance adjuster; and

B. Multiple peril crop insurance adjuster.

Sec. C-6. 24-A MRSA §1472, sub-§2, ¶C, as amended by PL 2001, c. 259, §44, is further amended to read:

C. Must pass any written examination required for the license under subchapter H2 or maintain federal crop insurance certification in the case of multiple peril crop insurance adjusters who established license qualification through such certification.

SUMMARY

This bill makes changes to conform Maine's insurance laws to new national standards adopted by the National Association of Insurance Commissioners.

Part A of the bill increases the time period from 2 to 5 years for the disqualification of the lead partner conducting an outside audit of an insurance company and authorizes the Superintendent of Insurance to waive the standard for unusual circumstances. Part A also clarifies the superintendent's authority related to the declaration and distribution of dividends, including extraordinary dividends, by insurance company holding systems.

Part B of the bill requires all health insurers to submit a qualified actuarial opinion as part of their annual statement to the Department of Professional and Financial Regulation, Bureau of Insurance.

Part C of the bill establishes a separate licensing category for multiple peril crop insurance adjusters.